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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05
INRE-00 SSO-00 NSCE-00 /053 W
----------081406Z 071892 /50
O 081323Z MAR 77 ZFF 4
FM AMEMBASSY LONDON
TO SECSTATE WASHDC NIACT IMMEDIATE 1349

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03846

FROM AMBASSADOR BOYD FOR KATZ (EB) HARTMAN (EUR) AND
HUNTER (NSC)
PASS TO DOT (ADAMS AND DAVENPORT) CAB (ROBSON) WHITE
HOUSE (JOHNSTON) AND COMMERCE (TOLO).

E.O. 11652:N/A
TAGS: EAIR, UK
SUBJECT: US-UK CIVAIR NEGOTIATIONS: BACKGROUND AND
TALKING POINTS FOR CALLAGHAN VISIT.

1. SUMMARY. UK HAS NOT YET AGREED TO NEGOTIATE ON
BASIS OF US POSITION THAT ADEQUATE COMPETITION MUST BE
MAINTAINED IN INTERNATIONALAVIATION. US HAS MADE
CLEAR THAT IT WILL NOT ACCEPT CARLAL-LIKE PREDETERMINED
DIVISION OF MARKETS, WHETHER BY US-UK AIRLINES OR BY
US-UK GOVERNMENTS AND WILL NOT "PAY" IN NEGOTIATIONS
FOR UK TO DROP MARKET SHARE DEMAND. AT SAME TIME US
HAS ADVANCED SUBSTANTIVE PROPOSALS IN EFFORT TO MEET UK
CONCERNS. WITHOUT FURTHER PRESSURE, UK IS UNLIKELY TO
MOVE BECAUSE THEY FEEL DELAY IS IN THEIR FAVOR. WE
RECOMMEND THAT PRESIDENT TAKE INITIATIVE WITH CALLAGHAN
TO STATE THAT US IS READY TO NEGOTIATE REGIME THAT WILL
REDUCE POSSIBILITIES OF EXCESS CAPACITY (EMPTY SEATS),
ENHANCE AIRLINE EFFICIENCY, AND PROVIDE UK AIRLINES
WITH IMPROVED OPPORTUNITIES TO COMPETE, BUT IS NOT RPT
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NOT WILLING TO DIVIDE US-UK AVIATION MARKET UNECONOMIC-
ALLY. END SUMMARY.

2. UK HAS NOT REJECTED USDEL CAPACITY PROPOSAL (LONDON
3529 AND LONDON 3783) BUT HAS SKILLFULLY ALSO AVOIDED
ACCEPTING IT. OUR STATEMENT OF MARCH 1 THAT CAPACITY
ISSUE MUST BE RESOLVED BEFORE WE ARE WILLING TO

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NEGOTIATE OTHER POINTS REMAINS IN EFFECT, ALTHOUGH WORKING GROUPS ON OTHER ISSUES OUTSIDE OF PLENARY ARE MEETING. OUR ASSESSMENT IS THAT UKDEL WILL CONTINUE TO ATTEMPT STRING US ALONG. IT REALIZES THAT CAPACITY ISSUE IS CENTRAL FOR BOTH SIDES. FOR UK, CAPACITY CONTROL WOULD ASSURE LARGER SHARE OF MARKET AND PROTECTION FOR UK AIRLINES FROM US AIRLINE COMPETITION. US PROPOSAL, ON OTHER HAND, WOULD MAINTAIN ADEQUATE COMPETITION NOT ONLY IN US-UK AVIATION MARKET, BUT, BECAUSE OF PRECEDENTIAL EFFECT OF ANY NEW US-UK AGREEMENT, IN INTERNATIONAL AVIATION SYSTEM AS A WHOLE.

3. PRINCIPAL UK OBJECTIVE IS TO REDUCE US AIRLINE SERVICES AND CAPACITY TO BRING ABOUT PREDETERMINED OR REGULATED MARKET SHARE. UK STRATEGY FROM OUTSET OF NEGOTIATIONS HAS BEEN TO PRESENT PACKAGE OF EXTREME DEMANDS -- NOTABLY, AGREED DIVISION OF AIR MARKETS, SINGLE US AIRLINE ON EACH ROUTE, AND TERMINATION OF ALL US ROUTES BEYOND LONDON -- TO BE TRADED FOR US CONCESSIONS. US HAS INDICATED IT WILL NOT NEGOTIATE ON BASIS THESE EXTREME UK POSITIONS, NOR PAY NEGOTIATING PRICE FOR UK TO ABANDON THESE DEMANDS.

4. UK RELUCTANCE TO ACCEDE ON CENTRAL CAPACITY ISSUE STEMS IN LARGE PART FROM THEIR BELIEF THAT DELAY FAVORS UK. THEY DOUBT USG ABILITY OR WILL TO BRING ABOUT CESSATION OF US-UK AIR SERVICES IF THERE IS NO NEW AGREEMENT WHEN CURRENT AGREEMENT EXPIRES ON JUNE 22, 1977. THEY BELIEVE THEY COULD BY SERIES OF UNILATERAL CONFIDENTIAL

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ACTIONS ACHIEVE THEIR PRINCIPAL MARKET SHARE OBJECTIVE, EVEN IF, AS THEY EXPECT, THEIR UNILATERAL REDUCTIONS WERE MATCHED BY RETALIATORY US UNILATERAL REDUCTIONS. THUS THERE IS LITTLE INCENTIVE FOR THEM TO ACCEDE.

5. WE BELIEVE IT IMPORTANT TO GET OVER THIS HURDLE. IF WE DO SO, WE WILL NOT ONLY BE ABLE TO BE RESPONSIVE TO THE UK ON OTHER ELEMENTS OF THE AGREEMENT, BUT OUR RESPONSIVENESS CAN PROVIDE MEANS OF REDUCING THE STING OF FURTHER DELAY OR A NEGATIVE DECISION ON CONCORDE LANDINGS AT NEW YORK. IF THE IMPASSE IS NOT RESOLVED, WE WILL ALMOST CERTAINLY BE FACED WITH MUCH MORE SERIOUS PROBLEMS ON JUNE 22. US HAS MADE IMPORTANT CONCESSIONS IN CAPACITY PHILOSOPHY AREA,AND OTHERS,TO BASIC UK CONCERNS.

6. UK SECSTATE FOR TRADE DELL TOLD US THAT CALLAGHAN

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INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05
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TO SECSTATE WASHDC NIACT IMMEDIATE 1350

C O NH I D E N T I A L SECTION 02 OF 02 LONDON 03846

WILL RAISE AVIATION NEGOTIATIONS IN HIS MEETINGS WITH
PRESIDENT. WE RECOMMEND THAT PRESIDENT TAKE INITIATIVE
IN RAISING THE MATTER AND MAKE THE FOLLOWING POINTS:
(A) WE APPRECIATE UK DESIRE FOR A NEW BILATERAL
AVIATION AGREEMENT. ALTHOUGH WE ARE SATISFIED
WITH THE PRESENT ONE, WE ARE WILLING TO NEGOTIATE
WITH YOU.
(B) EXCESS CAPACITY (EMPTY SEATS) WASTES FUEL AND
RAISES FARES; WE ARE READY TO RESPOND POSITIVELY
TO YOUR DESIRE FOR AWEGIME WHICH WILL REDUCE
CHANCES THAT EXCESS CAPACITY WILL OCCUR. OUR
NEGOTIATORS, NOW IN LONDON, HAVE TABLED PROPOSALS
THAT WOULD DO THIS.
(C) IT IS ABSOLUTELY ESSENTIAL TO MAINTAIN A
SUFFICIENT DEGREE OF COMPETITION IN INTERNATIONAL
AVIATION SO THAT AIRLINES HAVE THE INCENTIVE TO STRIVE FOR
MORE EFFICIENT OPERATIONS. FARES ARE
ALREADY SET BY AN INTERNATIONAL CARTEL; ROUTES ARE
DECIDED BY GOVERNMENTS. WE ARE UNALTERABLY
OPPOSED TO ELIMINATING COMPETITION IN THE ONLY
SIGNIFICANT AREA WHERE IT REMAINS - CAPACITY -
THROUGH COLLECTIVE ACTION BY EITHER AIRLINES OR
GOVERNMENTS.
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(D) IF THE UK NEGOTIATORS WILL AGREE ON THIS KEY POINT, WE ARE CONFIDENT THAT WE WILL BE ABLE TO NEGOTIATE A NEW AGREEMENT THAT WILL REMEDY THE DEFECTS THAT THE UK FINDS IN THE PRESENT ONE AND WILL PROVIDE AN OPPORTUNITY FOR UK AIRLINES TO PROSPER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Concepts: NEGOTIATIONS, AVIATION AGREEMENTS, MEETING REPORTS
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Sent Date: 08-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Release Event: n/a
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TAGS: EAIR, UK, US
To: STATE
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vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/4634febb-c288-dd11-92da-001cc4696bcc
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